

WISHRAM SCHOOL DISTRICT No. 94
Klickitat County, Washington
September 1, 1990 Through August 31, 1992

Schedule Of Findings

1. The Wishram School District Should Improve Controls Over Its Soft Drink Vending Machines

During the audit of fiscal years 1989 and 1990, we noted apparent soft drink machine operating losses, and made specific recommendations to implement controls to monitor the activity from the machine. The district implemented controls by making comparisons of inventory used to sales, however those controls were ceased when a new soft drink machine was purchased in February 1992.

The American Institute of Certified Public Accountants (AICPA) in its *Codification of Statements on Auditing Standards*, AU Section 319, Appendix D, states in part:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following

- * Access to assets is permitted only in accordance with management's authorization.
- * The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The district discontinued the inventory to sales comparisons, referenced above, when the new soft drink machine was purchased because district officials did not know how to determine how many soft drinks were sold at any particular time.

Without adequate controls to monitor the soft drink machine activity, it allows for the possibility that errors or irregularities may occur and go undetected.

We recommend the district improve controls over its soft drink vending activities by:

- a. Performing periodic physical inventories of soft drinks.
- b. Verifying the reasonableness of revenues from soft drink sales by periodically comparing the retail value of goods available for sale with actual cash received.